

FRIEDMAN BAG COMPANY CELEBRATES OVER 70 YEARS OF OPERATION

HON. LUCILLE ROYBAL-ALLARD

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, September 20, 2000

Ms. ROYBAL-ALLARD. Mr. Speaker, today I congratulate the Friedman Bag Company for over 70 years of continuous operation in my congressional district and to highlight its leadership as a responsible corporate citizen.

In 1927, four Russian immigrant brothers started a small bag manufacturing company in the heart of Los Angeles. Sam, Saul, Harry and Morris Friedman fled Imperial Russia with their family in search of freedom, settling temporarily in Mexico until they were granted permission to enter the United States. Over the years, Friedman Bag Company grew almost as quickly as the city around it.

In many ways, the founding and growth of Friedman Bag Company personifies our nation's immigrant experience. The company was born from an immigrant family's dream to provide their children with a better life. The Friedmans succeeded, eventually becoming one of the largest suppliers of textile and polyethylene bags in the West. Their bags were primarily used for agriculture products such as Idaho potatoes, walnuts and other crops such as carrots and lettuce from the Central Valley of California.

But like many manufacturing companies in the United States, fierce competition from lower cost producers, in countries like China, eventually threatened the survival of Friedman Bag Company. To endure, the company needed to change and adapt to the new economy, and the successful effort was led by two sons of the founding members.

Friedman Bag Company desperately needed to invest money in new equipment. Company workers were still sewing burlap and mesh bags by hand. Morale and sales were suffering. Having never taken on debt financing in its history, the company embarked on a somewhat radical and risky venture to make sure it could remain competitive. Working with a financial institution that recognized its special history as a family business, and overcoming internal and external challenges, Friedman Bag Company secured the resources to continue its operations in the 33rd Congressional District.

Friedman Bag Company also worked with the Mayor and City Council to consolidate operations, ultimately bringing more jobs to Los Angeles. An article which appeared in the Los Angeles Times on May 26, 1999 and documents this important success story follows these remarks.

Today, Friedman Bag Company employs more than 250 people, with operations in Idaho, Washington and Oregon. The company's morale has soared as its future prospects have brightened. Friedman Bag Company is now firmly-positioned so a third generation of the Friedman family can continue the dream started by their family's ancestors.

I am proud of Friedman Bag Company's long tenure in southeast Los Angeles. Their efforts to modernize and adapt to an ever-

changing economy in order to stay competitive are to be commended. Many men and women in my congressional district have worked at Friedman Bag Company, supporting their families and contributing to our community. I congratulate Friedman Bag Company for over 70 years of success which has epitomized the contributions to America made by our immigrant community, and I wish them many more years of successful operation to come. I submit the following article into the RECORD.

[From the Los Angeles Times, May 26, 1999]

WHEN DEBT PROVES TO BE BEST ANSWER

(By Cyndia Zwahlen)

Long debt-free Friedman Bag Co. turned to bank loans when it didn't have the money to cover shareholder buyouts and upgraded technology.

Pressure from more than 30 family shareholders to sell Friedman Bag Co., against the wishes of company management, was threatening to destroy the value of the closely held Los Angeles company founded by three brothers in 1927.

The far-flung shareholders, only one of whom worked at the company, wanted to cash out their shares. Management, including two sons of the founders, was desperate to invest the money in equipment needed to bring the company into the 21st century. Company workers were still sewing burlap and mesh bags for the agricultural industry by hand. Printing presses were slow and inefficient. Morale and sales were suffering.

"It was like a tug of war," said Harvey Friedman, chief executive and son of one of the retired founders. As the debate intensified, rumors that the company was going out of business began to fly.

Friedman Bag didn't have the money to cover shareholder buy-outs and new technology. The shareholders weren't interested in a note—a written promise to pay them in the future. And sale of the company's real estate wasn't an option because of the huge tax bill that would result, Friedman said.

For the first time in more than four decades, the company was forced to consider going outside for financing.

It's a classic dilemma for a family business. The conflicting demands on company funds of growth or expansion and shareholders buyouts or dissolutions can push the most debt-averse company to seek outside money, particularly if buyout funding isn't covered by insurance or some other previous arrangement. Perhaps it's the founder who wants to cash out, or an owner dies and there are estate problems. Or an owner without an heir interested in the business may want to sell the company to the employees through an employee stock ownership plan.

"Growth, liquidity, unexpected dissolutions that can disrupt the business are needs for financing," said Alfred E. Osborne, director of the Price Center for Entrepreneurial Studies at UCLA.

A business typically has two options when it comes to outside money—taking on debt through a bank loan or selling a stake in the company to an equity investor.

Friedman Bag, like most family businesses, chose debt, unwilling to deal with additional shareholders and their demands. The company polled its industry contacts for potential lenders. After being debt-free for decades, it found itself being wooed by more than 20 banks. Friedman and his managers decided on Imperial Bank in Los Angeles for several reasons. They got a speedy response and a loan package that covered their needs: an equipment line of credit, a term loan to

buy out the shareholders and an asset-based line of credit to pay for growth. The bank's enthusiasm for the company's prospects sealed the deal.

"When you borrow money, you want to feel like the bank is excited about your new venture and not that they are doing you a big favor," Friedman said.

All things being equal, he'd just as soon lend to a family business, said Imperial Bank Executive Vice President Duke Chenoweth, who grew up in a family with a business.

"A family will generally put everything they have on the line to uphold the integrity of that family business and the family name," he said. In addition to a potentially deeper level of commitment than an absentee owner or a group of professional managers, a successful family business often has a built-in successor, important for management continuity, Chenoweth said. And if worse comes to worse, often the retired founder can be relied upon for emergency guidance or deep pockets.

Bank debt isn't right for every family business, of course. A company has to be able to generate enough cash flow to repay the debt, which naturally limits how much money a company can borrow.

Although it's not as common for a family business, an outside equity investor can also provide needed cash. The downside is that most equity investors are institutional investors who typically expect a return on their investment within three to five years. That's not practical for many family businesses.

"It would be a mistake to say private equity has no place in family business, but it would only be under specific circumstances where the family is willing to provide a liquidity event," said Jourdi de Werd, a managing director and co-founder of investment bankers Greif & Co. of Los Angeles, one of several corporate sponsors of the Family Business Program at USC.

A family that is contemplating a transition to more institutional ownership or a founder that wants to take capital out of the business might turn to an outside equity investor, said de Werd, who also grew up in a family with a business.

Friedman offered several tips for family businesses thinking about outside financing.

He echoed the advice of several bankers when he suggested family businesses limit the number of family members working at the company. Bankers worried about the toll of inflated salaries. Friedman was more concerned about a company's need for broad skills and the potential impact on the family itself.

"Success is a blend of family members and outsiders," he said. "If there is too much family, then you have a lot of internal problems that are brought home."

In addition to good-quality management, what else are bankers looking for? Organized and complete financial statements, according to Henry Walker, senior vice president at Farmers & Merchants Bank in Long Beach. The quality of your record keeping is a reflection of how you manage your business, he said.

Assessing management and financial strength is a two-way street, Walker said. Is the lender you are considering strong enough to weather an economic downturn without jeopardizing your loan?

"It's a long-term relationship you're looking for, and you shouldn't lose track of that because of a point [of interest] here or there," he said.

Planning company strategy before seeking outside money is also important, Friedman

said. Friedman Bag invested in an intensive total quality management program and months of planning before it landed its bank loan. When the money arrived, the equipment purchases and a move into a new facility were completed within just three to four months of the shareholder buyout in early January. This week the new eight-color press goes online with triple the capacity of its predecessor and a setup time of 45 minutes compared with the five hours if used to take.

Friedman Bag Co. has come a long way from its modest beginnings collecting, sorting and reselling burlap bags used on farms in the 1920s. Today it employs more than 250 people and has operations in Idaho, Washington and Oregon. It supplies packaging and equipment to the agricultural industry and sandbags to the U.S. military, among others.

Employee morale has soared along with the company's new prospects. The third generation, including Friedman's son, a company vice president, has a future to look forward to, according to Friedman.

"We are a totally different company today," he said. "A new Friedman Bag Co. was born on Jan 5, 1999."

A POWERFUL MESSAGE ON PRAYER IN SCHOOL

HON. ZACH WAMP

OF TENNESSEE

IN THE HOUSE OF REPRESENTATIVES

Wednesday, September 20, 2000

Mr. WAMP. Mr. Speaker, one of the most troubling aspects of contemporary life is the continuing assault on values and morals. Nowhere is that effort more apparent than the determined drive to eliminate any voluntary prayer in our schools or at school events, such as athletic games. Recently, a distinguished citizen of my community spoke out on this subject. Jody McCloud is the principal of Roane County High School and has been for 11 years. He has spent 24 years as a professional educator. His comments summarize the situation about as well as anyone can. I am privileged to place them into the RECORD of the U.S. House of Representatives and urge everyone to read them carefully and pay heed. Here is what Mr. McCloud said.

It has always been the custom at Roane County High School football games to say a prayer and play the National Anthem to honor God and Country. Due to a recent ruling by the Supreme Court, I am told that saying a prayer is a violation of Federal Case Law.

As I understand the law at this time, I can use this public facility to approve of sexual perversion and call it an alternate lifestyle, and if someone is offended, that's OK.

I can use it to condone sexual promiscuity by dispensing condoms and calling it safe sex. If someone is offended, that's OK.

I can even use this public facility to present the merits of killing an unborn baby as a viable means of birth control. If someone is offended, no problem.

I can designate a school day as Earth Day and involves students in activities to religiously worship and praise the goddess, mother earth, and call it ecology.

I can use literature, videos and presentations in the classroom that depict people with strong, traditional, Christian convictions as simple minded and ignorant and call it enlightenment.

However, if anyone uses this facility to honor God and ask Him to bless this event with safety and good sportsmanship, federal case law is violated.

This appears to be at best, inconsistent and at worst, diabolical. Apparently, we are to be tolerant of everything and anyone except God and His commandments.

Nevertheless, as a school principal, I frequently ask staff and students to abide by rules with which they do not necessarily agree. For me to do otherwise would be at best, inconsistent and at worst hypocritical. I suffer from that affliction enough unintentionally. I certainly do not need to add an intentional transgression.

For this reason, I shall, "Render unto Caesar that which is Caesar's," and refrain from praying at this time. However, if you feel inspired to honor, praise and thank God, and ask Him in the name of Jesus to bless this event, please feel free to do so. As far as I know, that's not against the law—yet.

SAFER AMERICA FOR EVERYONE'S CHILDREN ACT (SAFE CHILDREN ACT), H.R. 5218

HON. BENJAMIN A. GILMAN

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Wednesday, September 20, 2000

Mr. GILMAN. Mr. Speaker, today I am introducing H.R. 5218, the Safer America for Everyone's Children Act, or SAFE Children Act. The SAFE Children Act is a nine point program which will reward those States and communities who work to keep guns out of the hands of children, promote opportunities for students, and support programs which keep our kids off the streets and away from drugs. By supporting communities who take the initiative to combat school violence, we are allowing parents and educators to work together to make the decisions which will effectively help our children and provide an appropriate and common sense solution.

The SAFE Children Act creates new SAFE communities and SAFE States block grants which can be used to supplement, expand, or enforce programs which combat school violence. To be eligible for the new grants, "SAFE communities" will have to offer a biannual gun buyback program, provide working programs to create safe and drug-free schools, and offer after-school programs, which focus on the social, physical, emotional, moral, or cognitive well being of students. "SAFE States" will have to enact legislation to require individuals to be 21 years old to purchase a handgun, require safety locks to be sold with firearms at the time of sale, and create a public-private partnership to support organizations and municipalities who promote safe schools and gun safety.

Furthermore, the Safe Children Act creates a school counseling demonstration program to award grants to schools to establish or expand school psychological counseling programs, offering individual schools the opportunity and funding necessary to have on-site or on-contract child psychologists to assist troubled students. Additionally, the measure promotes the safety of law enforcement personnel by prohibiting the importation of large capacity am-

munition feeding devices and exempts qualified law enforcement officers and retired officers from state laws prohibiting the carrying of concealed firearms.

Mr. Speaker, since the tragedy at Columbine High School, I have been meeting with parents, teachers, students, and law enforcement officials, to discuss the root of the problems in our nation's schools and find a resolution. The Safe Children Act is an important first step, because it promotes and supports community initiative and inclusion.

It is obvious that no one solution exists for solving the increase in school shootings, but it is imperative that we all dedicate ourselves to working together within our families and communities to stop the violence among our youth. The real solution to combating school violence will not be found in the halls of Congress, rather in our schools, homes, and communities throughout our nation. The Safe Children Act will reward those communities which work together to provide a safer America for everyone's children.

H.R. 5218

A BILL

To provide grant funds to units of local government that comply with certain requirements and to amend certain Federal firearms laws.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Safer America For Everyone's Children (SAFE Children) Act."

SEC. 2. AUTHORIZATION OF APPROPRIATIONS.

There are authorized to be appropriated \$10,000,000 for fiscal year 2002 to carry out titles I, II, and IV.

TITLE I—SAFE COMMUNITIES

SEC. 101. PROGRAM AUTHORIZED.

The Attorney General is authorized to provide grants to units of local government that comply with the requirements of section 102(a).

SEC. 102. ELIGIBILITY REQUIREMENTS.

(a) IN GENERAL.—To be eligible to receive a grant under this title, a unit of local government shall have in effect, for a period of not less than 1 year, the following programs:

(1) GUN BUYBACK.—A program under which—

(A) the unit of local government offers to purchase any semiautomatic firearm for \$100, and to purchase any other firearm for \$50;

(B) the offer is renewed not less frequently than every 6 months; and

(C) the unit of local government transmits to the Bureau of Alcohol, Tobacco and Firearms, with respect to each 6-month period during which the program is in effect, a report on the volume and types of firearms obtained through the program during the period.

(2) SCHOOL VIOLENCE INITIATIVES.—School violence initiatives that implement comprehensive strategies to ensure a learning environment at school that is safe and drug-free.

(3) OPPORTUNITIES DURING NON-SCHOOL HOURS.—Activities to meet the child care needs of parents during non-school hours, including before- and after-school, weekends, holidays, and vacation periods. Such activities shall be designed to focus on the social, physical, emotional moral, or cognitive well